BRITISH COLUMBIA
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BCStats

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Exports ◆ February 2011

- The value of British Columbia origin exports climbed 17.8% in the first two months of 2011 compared to the same two-month period a year earlier. Shipments to the United States experienced modest growth of 2.9%, but there were substantial increases in the value of exports to many other destinations, including Mainland China (+56.5%), Japan (+41.0%), South Korea (+17.0%), Taiwan (+68.8%) and the European Union (+24.8%). Within the European Union, exports to the United Kingdom doubled (+109.5%) and shipments to Germany rose 50.4%.

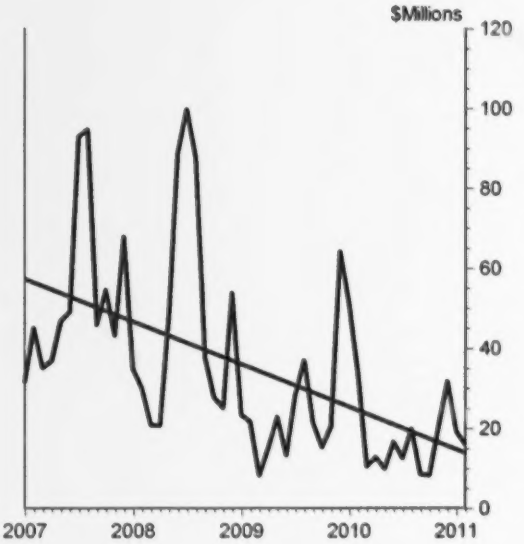
- Some of the strongest growth was in exports of metallic mineral products, which grew 29.3%. Much of this increase was due to a 52.6% jump in shipments of copper ores and concentrates, but exports of molybdenum ores and concentrates (+26.1%), unwrought zinc (+12.4%) and "other" metallic mineral products (+20.8%) also experienced strong growth. Shipments of unwrought aluminum bucked the trend, falling 6.5%.

- Forest product exports continued to rise, with solid wood exports climbing 17.5% and shipments of pulp and paper going up 11.7%. A 16.4% jump in shipments of softwood lumber was responsible for much of the increase in solid wood exports, but there was also strong growth in shipments of logs (+66.4%) and softwood plywood and veneer (+31.9%). In the pulp and paper sector, pulp (+21.6%) continued to drive most of the growth, but newsprint (+53.7%) also experienced a significant increase in shipments.

- Energy product exports grew 15.8% despite a 58.8% slump in electricity exports and a 13.4% drop in shipments of natural gas. The decline in natural gas was entirely due to a fall in price as volumes shipped actually increased 19.4%. Robust growth in exports of coal (+40.5%) and other energy products (+68.5%) drove the increase in overall energy exports. Most of the rise in the value of coal shipments was the result of price inflation as quantities shipped edged up only 2.1%.

- Exports of machinery and equipment increased 13.1% year-to-date to February, while agriculture and food shipments jumped 29.5%. Exports of fabricated metal products (+18.1%) and chemicals and chemical products (+31.9%) also experienced significant growth. The value of seafood shipments inched up 0.7%.

BC exports of electricity have been trending down over the last few years

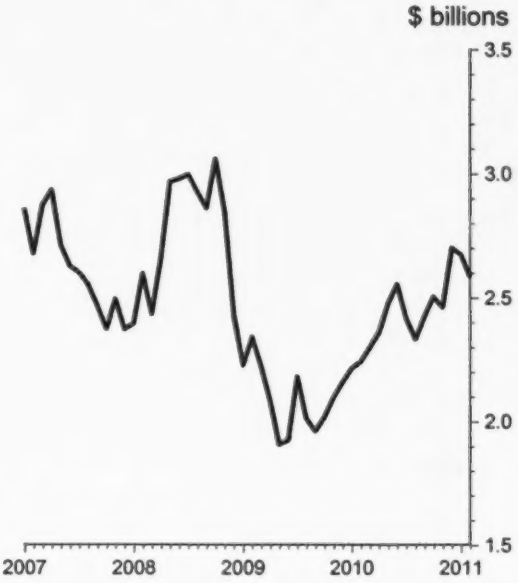


SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports declined 3.4% in February as shipments of industrial and consumer goods dropped sharply (-14.3%) and exports of forest products (-3.6%) and agricultural and fish products (-2.8%) also fell, offsetting growth in energy exports (+5.3%) and shipments of machinery, equipment and automobiles (+3.7%).
- Exports dropped to both the United States (-1.6%) and the rest of the world (-4.7%). In both cases, the main contributor to the decline was falling shipments of industrial and consumer goods.

Exports (adjusted for seasonality) fell in February



BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Feb 2009	213	731	624	288	482	2,338	1,215
Mar	200	616	599	272	532	2,220	1,099
Apr	194	577	605	268	436	2,081	1,052
May	196	484	557	273	394	1,905	1,049
Jun	193	486	554	255	434	1,922	991
Jul	206	621	586	271	495	2,179	1,046
Aug	176	513	594	252	475	2,009	1,008
Sep	163	502	589	227	478	1,959	1,019
Oct	180	490	581	248	516	2,015	1,039
Nov	177	520	600	251	547	2,094	1,085
Dec	176	582	605	252	541	2,156	1,082
Jan 2010	179	628	651	261	493	2,212	1,115
Feb	198	578	680	245	538	2,239	1,078
Mar	193	594	677	255	578	2,296	1,129
Apr	187	637	715	262	556	2,358	1,116
May	186	707	737	260	581	2,471	1,152
Jun	187	767	782	271	545	2,552	1,212
Jul	196	725	716	271	507	2,415	1,093
Aug	207	626	691	266	539	2,330	1,105
Sep	226	732	686	277	503	2,423	1,040
Oct	211	668	746	273	604	2,502	1,072
Nov	200	629	750	277	603	2,459	1,069
Dec	206	759	789	295	649	2,698	1,116
Jan 2011	196	692	775	279	729	2,672	1,136
Feb	190	729	748	289	625	2,581	1,119

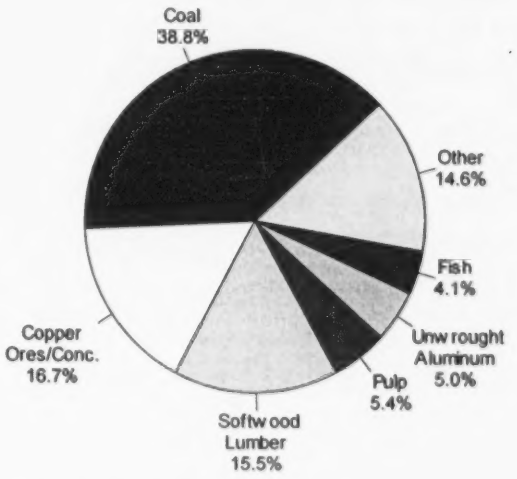
Gauging the Impact of Japan's Natural Disaster on BC's Exports

The devastating earthquake and the subsequent tsunami that struck Japan in March cost thousands of lives and has left hundreds of thousands homeless. In addition to the human hardship it has caused, the natural disaster could potentially delay the economic recovery in Japan, which could also impact economies in other areas of the world, including British Columbia. However, the consensus opinion among most economists appears to be that the economic impacts of this tragedy are likely to be short-lived. In fact, the rebuilding efforts will, somewhat perversely, almost certainly provide some stimulus for Japan's economy.[1]

This is obviously good news for Japan going forward, but there is still the potential for fairly severe economic disruptions in the short-term. For example, the damaged nuclear reactors have resulted in a significant loss in electrical generation capacity, which will likely impact industrial production in Japan until the lost capacity can be replaced, either by getting the nuclear facilities back on-line, or by finding alternative energy sources.

Already a number of Japanese factories have been closed, including steel and automobile manufacturing facilities. As a supplier of raw materials to Japan's industrial sector, some BC exporters could face a downturn in business with Japan. In 2010, the province's top exports to Japan were coal (39%), copper ores and concentrates (17%) and softwood lumber (16%). Of these, coal and copper are the most likely to experience a slump in demand from Japan.

Coal was the top good exported from BC to Japan in 2010



Source: BC Stats and Statistics Canada

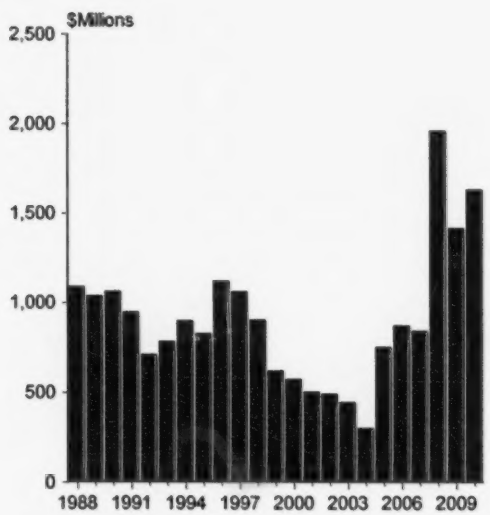
Metallic mineral products such as copper ores and concentrates and unwrought aluminum, which together represented more than a fifth of BC's exports to Japan in 2010, are used in the manufacture of automobiles, electronic goods and other products. With the temporary shutdown of some of the factories that manufacture these goods, there could be a decline in demand for these inputs. On the other hand, these materials are also used in construction of housing and there will be an urgent need for new housing in the affected areas, so it is difficult to gauge whether demand for these goods will rise or fall.

[1] For example, according to analysis by CIBC Global Asset Management Inc. on the effect of other recent disasters, "The Indonesian economy grew slightly faster than it would have in the wake of its 2004 tsunami, and Chile's economy is stronger a year after its earthquake."

CIBC Global Asset Management, "The Economic Aftershocks of the Japanese Earthquake," *Market Insight*, p. 3, March 2011.

The situation may be more clear cut with respect to coal. Even though, given the loss of energy from the nuclear reactors, there will be a boost in demand for other sources of energy, including coal, the type of coal Japan needs is different from what BC usually provides. Almost all the coal shipped out of BC is metallurgical coal, which is mainly used in the production of steel. The type of coal used in power generation is thermal coal. With the closure of some of Japan's steel mills, there could be a significant drop in demand for metallurgical coal. However, any such decline in demand for coal from BC is likely to be a short-term phenomenon and there is the possibility that BC could ramp up the production of thermal coal if warranted by higher prices. As such, the impact on BC's coal sector is likely to be small and transitory. However, if Japan's steel mills remain out of commission for longer than expected, the impact could be more severe.

BC's coal exports to Japan have been strong in recent years, but they might be impacted by the recent natural disaster



Source: Statistics Canada

For many of BC's other resource sectors, Japan's natural disaster could ironically have a positive impact. For example, following the devastating earthquake in Kobe, Japan early in 1995, there was an increase in demand for goods from BC, including building products, such as lumber. While some of the growth may have occurred anyway, it is likely that at least a portion of the increase was a result of rebuilding from the earthquake. Given that the more recent earthquake was far more severe than the Kobe quake, particularly since it was accompanied by a tsunami that ramped up the destruction, there will be an even greater demand for goods to assist in the rebuilding effort. In addition, the damage to the nuclear facilities will also boost demand for certain goods.

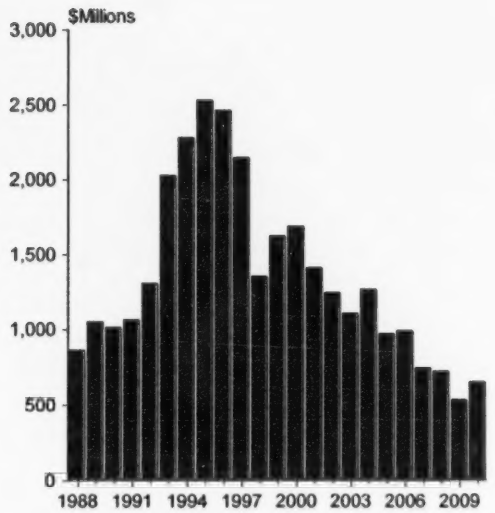
For example, shortly after the disaster occurred, there were already queries from Japan about the possibility of increasing shipments of seafood products. Given the fears over contamination from the nuclear reactors, there will likely be an even greater jump in demand for seafood. This could provide a boost to BC's seafood industry; however, supply constraints will probably limit the ability of the seafood sector to ramp up exports.

The problems at the nuclear facilities will force Japan to find alternative sources of energy in the short-term, which could include thermal coal and natural gas. Given the absence of a gas export facility in North America and the fact that most of BC's coal is metallurgical, rather than thermal, it is unlikely that the province will be a major supplier of these goods. However, if the nuclear meltdown results in a long-term push toward other energy alternatives, the demand for natural gas could rise, which may improve the chances of an export facility being built in British Columbia. Specifically, there are plans for a liquefied natural gas (LNG) plant to

be built in Kitimat, with the aim to begin production in 2015. This would be the only LNG export facility in North America. Given the current glut of natural gas on the continent and the greater demand for gas elsewhere in the world, such a facility would give BC a tremendous advantage and could revitalize the natural gas sector.

While a boost to natural gas exports is a long-term prospect, there are more immediate possibilities for BC exporters. As already mentioned, there will be an urgent need for new housing to replace those houses destroyed by the earthquake and tsunami. This means that there will be a significant increase in demand for building products, such as softwood lumber. BC's exports of softwood lumber to Japan have been trending down for almost two decades and this new demand could help stop or even reverse that slide.

Softwood lumber shipments to Japan have been trending down for almost two decades



Source: Statistics Canada

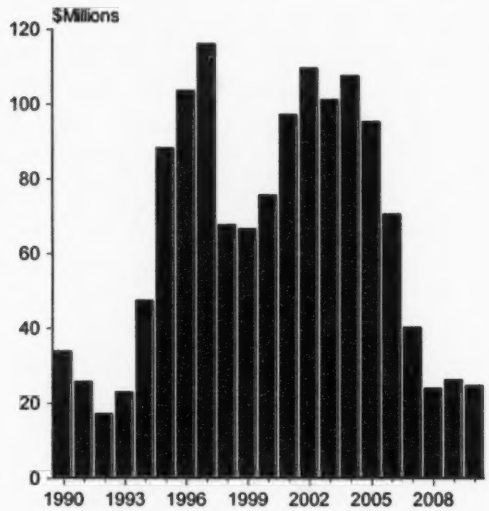
In general, there has been reluctance on the part of the Japanese to embrace two-by-four construction techniques. Although Japanese houses have historically been made of wood, they have traditionally employed post and beam construction techniques, which, for the most part, use different types of building products than those exported from British Columbia. However, two-by-four construction started to gain popularity in Japan in the 1980s and when the structures built using two-by-four construction techniques fared well during the Kobe earthquake, it helped further boost their profile in Japan.

In the last 20 years, the growth in housing starts for two-by-four houses has generally exceeded that of overall housing starts in Japan. Nevertheless, lumber shipments to Japan have been trending down as British Columbia has lost market share to competition from regions such as Russia and other European countries. BC's industry has made assurances to Japan that it will step up to meet the demand as Japan rebuilds from the disaster, which should have at least a short-term impact on BC's lumber exports, but could also help foster longer-term relationships that could expand BC's lumber exports to Japan on a more permanent basis.

Another commodity that could see higher exports to Japan is prefabricated houses. Back in 1994, Japan started to promote the import of foreign-made prefabricated houses and BC's shipments of these units to Japan increased by more than four times in just a few years. However, exports of prefabricated houses to Japan have been falling over the last several years, such that the value of shipments is now about the same as they were before 1994. Given the urgent need for housing following Japan's natural disaster, there is a strong possibility that exports of prefabricated houses to Japan

will rise again. At least one Canadian firm with a presence in BC has already been contracted to build prefabricated temporary homes for victims of the earthquake.[2]

BC exports of prefabricated houses to Japan have fallen off dramatically in the last few years

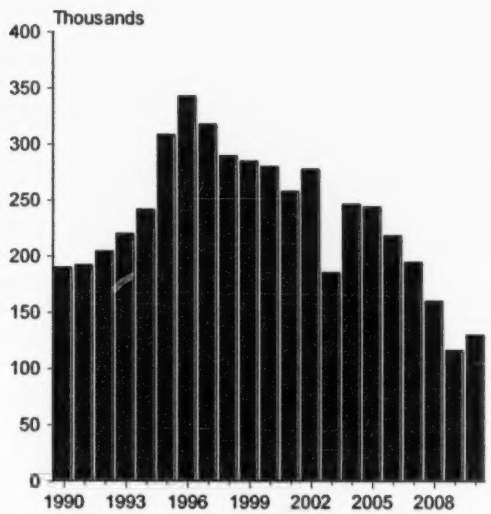


Source: Statistics Canada

Pulp is another significant commodity export from BC to Japan that could experience growth in shipments. A number of Japanese pulp mills were located in the area hit by the tsunami and stocks of raw materials such as pulp and wood chips were damaged. Japan's imports of pulp should increase significantly as the country restocks. Even if BC pulp shipments to Japan remain the same, BC exporters will benefit from higher prices for the product resulting from the overall increase in demand.

On the whole, it appears that the negative impacts of the natural disaster in Japan on BC's commodity exports will be limited and there could actually be some positive impacts for certain exporters. However, for service exports, it could be a different story. While specific data with regard to service exports from BC to Japan are unavailable, around a third of Canada's service exports to Japan are comprised of services related to travel. The number of tourists from Japan visiting BC has already been declining in recent years and it is likely that there will be fewer Japanese tourists to any destination in 2011. The tourism sector is already dealing with a high-valued Canadian dollar and is still trying to recover from the global economic downturn, so this could be another blow to the industry.

The number of travellers from Japan coming to BC has already been down, but it could get worse in 2010 as a result of the earthquake



Source: Statistics Canada

[2] According to the Canadian Press, Viceroy Homes, a company based in Ontario with a facility in Richmond, BC, is set to ship 200 units to Japan and hopes to win orders for 2,000 to 30,000 additional units.

The Canadian Press, "Pre-fab home firm Viceroy Homes sending temporary shelters to Japan," March 25, 2011.

Given the tragic consequences of the earthquake and tsunami for Japan, it is difficult to even consider economic impacts. However, one can take some solace that previous experience with natural disasters indicates that Japan will likely be able to recover fairly quickly and that rebuilding efforts will help Japan's economy at a time when it most needs help. For BC, there will likely be a mix of short-term positive and negative impacts, depending on the sector involved. Whether or not there will be long-term impacts remains to be seen, but in all likelihood, they will be minimal.

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

11-02 *Gauging the Impact of Japan's Natural Disaster on BC's Exports* *(released April 2011)*

11-01 *Year in Review: A Change in Direction for BC's Exports* *(released March 2011)*

10-12 *The Impact of E-Commerce on BC's Trade* *(released February 2011)*

10-11 *Canada and India Start Discussion on Free Trade* *(released January 2011)*

10-10 *BC's Export Picture Has Improved Over the Last Year* *(released December 2010)*

10-09 *The Buck Stops Where? Are We in a Global Currency War?* *(released November 2010)*

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10-01 *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

09-12 *Provincial Export Comparison* *(released February 2010)*

09-11 *BC's Exports to Oceania Watered Down in 2009* *(released January 2010)*

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09-09 *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

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09-01 *Twenty Years of Free Trade with the United States* *(released March 2009)*

08-12 *Canada Seeks Trade Deal with the European Union* *(released February 2009)*

08-11 *Adversity Leads to Diversity* *(released January 2009)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

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For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.